



June 29, 2006

Ms. Paula Higashi
Executive Director
Commission on State Mandates
980 Ninth Street, Room 300
Sacramento, CA 95814

RE: Recommended Reasonable Reimbursement Methodology
Peace Officer Procedural Bill of Rights

Dear Ms. Higashi:

The Department of Finance would like to propose a reimbursement methodology for the Peace Officer Bill of Rights, so it might be considered by the State Mandates Commission. The bullets below describe the conceptual framework for a possible Reasonable Reimbursement Methodology.

- Establish a reimbursement methodology based on the number of officers in each entity that are covered by POBOR with the annual reimbursements to each entity being the result of multiplying the number of covered officers by a determined rate for covered officers.
- State Controller's Office to perform audits for four base years for each entity claiming reimbursement.
- Establish a reimbursement rate (average rate per officer covered by POBOR) for each entity based on the State Controller's Office audited amounts for four years of claims.
- Entity-specific reimbursement rate for each entity to be approved by the Commission on State Mandates.
- Reimbursement rate for entities for which the Commission has not yet approved rates, to be mean of entity-specific reimbursement rates already approved by the Commission, with a settle-up process when actual reimbursement rate is approved for each such entity.
- Reimbursement rate to be adjusted annually for all entities based on agreed-upon factor such as the State and Local Deflator, or the annual average change in compensation for covered officers.
- State audits would review only the adjustments in the numbers of officers covered by POBOR for each entity, and the application of the annual adjustment factor.

Under this methodology, a distinct "base rate" would be calculated for each entity seeking reimbursements for POBOR costs. The base rates would be adjusted annually by an appropriate factor to capture the normal cost increases. The initial cost date used to determine the "base rates" would be audited by the State Controller's Office, but subsequent claims for reimbursements would be limited to two specific and easily identifiable factors.

If the Commission were to adopt this proposed framework, reaching agreement among the interested parties about the details of how this framework might be implemented could require several months of discussion. Once there is agreement on the implementation details, it is likely that an additional three years would be needed for the State Controller's Office to conduct audits of all claiming entities. For this reason, the methodology includes a process for determining reimbursement rates while final reimbursement rates are determined.

Thank you for your consideration of this proposal. If you have questions about this proposal, or would like to discuss it further, please call me or Carla Castaneda at 916-445-3274.

Sincerely,

A handwritten signature in black ink, appearing to read "Thomas E. Dithridge", with a stylized flourish at the end.

Thomas E. Dithridge
Program Budget Manager